

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7055**

**BILL NUMBER:** HB 1929

**DATE PREPARED:** Jan 24, 2001

**BILL AMENDED:**

**SUBJECT:** Firefighters Relief Associations.

**FISCAL ANALYST:** Brian Tabor

**PHONE NUMBER:** 233-9456

**FUNDS AFFECTED:** X

**GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State & Local

STATE IMPACT	FY 2001	FY 2002	FY 2003
State Revenues		(20,000,000)	(20,000,000)
State Expenditures			
Net Increase (Decrease)		(20,000,000)	(20,000,000)

**Summary of Legislation:** This bill allows Firefighters Relief Associations (FRAs) to be established and requires the greater of 10% or \$20,000,000 of the Insurance Premium Tax to be transferred annually to local units for transfer to FRAs. It requires a local unit whose volunteer fire department is a member of a FRA to establish a local Firefighters Relief Association Fund to receive distributions from the Insurance Premium Tax. The bill also provides that the purposes of a local Firefighters Relief Association include:

- (1) purchasing insurance policies to provide the coverage required by statute and additional coverage as determined by the FRA;
- (2) providing financial assistance to the family of a deceased firefighter who dies as a result of injuries incurred while in the course of duty;
- (3) providing funds for the physical rehabilitation of a firefighter;
- (4) providing death benefits; and
- (5) providing financial assistance to a disabled firefighter.

This bill further requires a fire department that receives funds from a local FRA to comply with the National Fire Incident Reporting System requirements.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** The handling and expenditure of funds received by a Firefighters Relief Association from a unit shall be subject to an audit by the State Board of Accounts. However, the cost of the audit is to be borne by the FRA.

**Explanation of State Revenues:** This bill establishes the State Firefighters Relief Association Account within the state General Fund. It requires the Treasurer of State to annually transfer either \$20 M or 10% of the Premium Tax revenue for that fiscal year, whichever is greater. Insurance Premium Tax revenue is deposited in the state General Fund. As this bill is effective July 1, 2001, the impact on the General Fund would begin in FY 2002.

In FY 2000, Premium Tax revenue was \$161.1 M, and in FY 1999 the total was \$155.4 M. From fiscal years 1988 to 2000, the average growth rate of premium taxes was almost 4%. It is expected that in FY 2002 and FY 2003, revenue from the Insurance Premium Tax would not exceed \$200 M, and therefore the amount that would be transferred to the State Firefighters Relief Association Account and corresponding reduction in the General Fund would be \$20 M each year.

**Explanation of Local Expenditures:** Local fiscal units where FRAs are established may incur some minimal costs associated with the transfer of funds (see below for explanation). The number of associations that may be formed and their locations are not known at this time. According to the Office of the State Fire Marshal, there are currently 752 volunteer fire departments in Indiana, 48 of which are career/volunteer departments with both professional and volunteer firefighters.

**Explanation of Local Revenues:** Firefighters Relief Associations would be established as nonprofit corporations for the benefit of volunteer firefighters. These FRAs are directed to provide insurance for members, financial assistance to injured firefighters, and death benefits and other assistance to surviving spouses and families. When an association is formed, the local fiscal body served by the organizing volunteer fire department would establish a Local Firefighters Relief Association Fund. The association may invest money in the FRA Fund and solicit and receive donations or gifts from any source.

Each year, the Treasurer of State would transfer the balance in the State Firefighters Relief Association Account to each local FRA Fund established under this bill. Half of the money transferred to each fund would be based on the population of the units served by the FRA. The remaining half would be based on the real estate market value of the unit. The local fiscal unit would actually receive the Treasurer's distribution and then make transfers to the local FRA Fund.

Each FRA would receive at least \$5,000 but no more than \$50,000 from its local FRA Fund each year. The association would then make allocations to benefit each fire department it serves (relative to the proportion of fire protection each department provides to the unit served). Any balance in a local FRA Fund after the local unit has made its transfer of between \$5,000 and \$50,000 would revert to the State Firefighters Relief Association Account.

A fire department that accepts funds from a FRA shall comply with the requirements of the National Fire Incident Reporting System or would forfeit future distributions from the local FRA Fund.

**State Agencies Affected:** Treasurer of State; State Board of Accounts.

**Local Agencies Affected:** Local units where Firefighters Relief Associations are established.

**Information Sources:** Office of the State Fire Marshal, (317) 232-2226.